

# SENATE BILL REPORT

## EHB 1990

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As of March 7, 2022

**Title:** An act relating to a sales and use tax deferral for projects to improve the state route number 167 and Interstate 405 corridor.

**Brief Description:** Concerning a sales and use tax deferral for projects to improve the state route number 167 and Interstate 405 corridor.

**Sponsors:** Representatives Duerr, Slatter, Kloba, Walen and Fey; by request of Office of Financial Management.

**Brief History:** Passed House: 3/4/22, 96-2.

**Committee Activity:** Ways & Means: 3/07/22.

### Brief Summary of Bill

- Provides a sales and use tax deferral for qualified Interstate 405/State Route 167 Corridor construction projects.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Alia Kennedy (786-7405)

**Background:** Retail Sales and Use Tax. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. Local sales and use tax rates vary depending on the location.

Tax Preferences. State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions,

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deductions, exemptions, preferential tax rates, deferrals, and credits. Washington has over 700 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a tax preference performance statement that identifies the public policy objective of the preference, as well as specific metrics the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided.

Interstate 405/State Route 167 Transportation Projects. The Interstate 405 (I-405) and the State Route 167 (SR 167) Corridor Program stretches from Lynnwood to Sumner, forming the only north-south highway alternative to Interstate 5 in the Puget Sound region. As a result, the corridor experiences high daily traffic volumes from commuters and freight. Both the I-405 Master Plan and the SR 167 Corridor Plan recommend connecting I-405 and SR 167 to form a seamless corridor program of coordinated, multimodal transportation solutions to address current and future traffic demand. The combined plans will include new highway lanes, improved interchanges, direct access, expanded transit service, including Bus Rapid Transit (BRT), a two-lane express toll lane (ETL) system, and connecting communities through local multimodal improvements.

*State Route 167 Corridor Improvements Project.* The SR 167 Corridor Improvements Project is comprised of the SR 167 Toll Equipment Upgrade Project and the SR 167, State Route 516 (SR 516) to South 277th Street Southbound Auxiliary Lane Project. As part of the SR 167 Toll Equipment Upgrade Project, the Washington Department of Transportation (WSDOT) will upgrade the SR 167 toll equipment to be the same as the I-405 toll equipment, resulting in a continuous 50-mile I-405/SR 167 ETL system and a consistent customer experience in the express toll lanes. WSDOT plans to construct an auxiliary lane on southbound SR 167 between SR 516 and South 277th Street in Kent.

*Interstate 405/Renton to Bellevue.* The I-405 Renton to Bellevue Widening and Express Toll Lanes project includes multimodal transportation and safety improvements to offer more reliable travel choices and keep drivers, transit riders, and freight moving.

The Renton to Bellevue project will add new capacity to create a two-lane ETL system between SR 167 in Renton and Northeast Sixth Street in Bellevue. In general, the project will add one new lane in each direction and combine the existing high occupancy vehicle (HOV) lane with the new lane to create a dual ETL system.

The new ETLs will connect to the existing ETL system between Bellevue and Lynnwood, as well as the SR 167 HOV lanes via the I-405/SR 167 Interchange Direct Connector, to create a 40-mile ETL system. This project is designed to improve speeds and trip reliability for all travelers and support the new I-405 BRT line between Lynnwood and Tukwila included in the voter-approved Sound Transit 3 package.

*Interstate 405/State Route 522 Vicinity.* The I-405/State Route 522 (SR 522) Vicinity to

State Route 527 (SR 527) Express Toll Lanes Improvement Project lies primarily in Bothell on I-405, starting just south of the SR 522 interchange and ending at the SR 527 interchange. There will be added express toll lane capacity, direct access to state highways, and improved connections to regional transit service at both the University of Washington Bothell Station (SR 522) and Canyon Park Park and Ride (SR 527), integrating corridor investments with Sound Transit's planned opening of I-405 BRT.

WSDOT will enhance 4.5 miles of the corridor with a focus on both the main project expansion and overall operational improvements. WSDOT will build one new express toll lane in each direction between south of SR 522 and SR 527, widen I-405 through the SR 522 interchange and build direct access ramps to the express toll lanes at SR 522, and build a partial direct access interchange at SR 527 to and from the south connecting to the Canyon Park Park and Ride. The project will include additional local roadway improvements, fish barrier corrections, noise walls, and new stormwater facilities.

*Interstate 405/Northeast 85th Street Interchange and Inline Bus Rapid Transit Station Project.* The design-build project will include a three-level interchange with BRT station, direct access ramps, and local improvements. The project includes an inline station to serve Sound Transit's BRT, and will also rebuild local bus stops. WSDOT will build direct access ramps to I-405 ETLs and there will be pedestrian and bike connections. WSDOT will build toll infrastructure equipment through the interchange.

*Interstate 405/North Eighth Street Project.* An HOV-only interchange will be built to connect North Eighth Street in Renton to West I405.

**Summary of Bill:** A person involved in the construction of any qualified SR 167 and I-405 corridor project may apply for the deferral of any sales and use tax owed for the site preparation for, the construction of, or the acquisition of any related machinery and equipment that will become part of, and the rental of equipment for use in, the projects. The deferral applies for purchases made and the labor or services rendered on or after the effective date of the act.

A person must submit an application to the Department of Revenue (DOR) containing estimated or actual costs, schedules for completion and operation, and any other information required by DOR. Approval of an application must be made within 60 days if the requirements are met. DOR will issue a deferral certificate that exempts a qualified applicant from paying state and local sales and use tax on qualified purchases.

A qualified applicant must begin repaying the deferred taxes in the tenth year after the qualifying project is operationally complete. Payments are due in ten equal payments on December 31st beginning in the tenth year. An accelerated repayment plan may be authorized.

Interest and penalties do not apply during the deferral period.

The SR 167 and I-405 Corridor projects include:

- I-405/SR 522 Vicinity to SR 527 express toll lane improvement project;
- I-405 Renton to Bellevue widening and express toll lanes project;
- northbound and southbound SR 167 stage 6 extension project;
- I-405 and North Eighth Street direct access ramp project; and
- Northeast 85th Street toll equipment through I-405 and Northeast 85th Street interchange and inline BRT station project.

The act is exempt from tax preference performance requirements, including review and automatic expiration.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill takes effect on July 1, 2022.